

West Valley City Grants Department

Down Payment Assistance Policy & Information Packet

Current Revision: 03/09

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Section I- Program Objectives

The Down Payment Assistance (DPA) program provides the opportunity to first time homebuyers and low-to-moderate income families the opportunity to own a home within the city limits of West Valley City.

Section II- Eligible Activities

The West Valley City Housing Authority will use funds provided by the Community Development Block Grant (CDBG) and HOME funds to provide eligible applicants funds to be used for down payment and/or closing costs.

West Valley City will provide a \$5,000.00 grant/loan to low-to-moderate income families to purchase a home less than \$180,000 within the limits of West Valley City.

Section III- Ineligible Activities

DPA funds cannot be used for cash back, realtor's commissions and/or buy down points.

Section IV- Home Buyer

Target Population

The population served will have income at or below 80% median income as determined by the Department of Housing and Urban Development (HUD) and adopted by the West Valley City Housing Authority.

Income Limits

No approved applicant will have an income of more than 80% median income as determined by HUD and adopted by the West Valley City Housing Authority/Grants (24 CFR, 92.2 (9))

Application Process

1. Prospective buyers must begin by submitting an application with the West Valley City Housing Authority. An incomplete application will **not** be accepted. A complete application will have the following:

- All forms within the application packet must be completely filled out
- All documents listed on the checklist must be turned in such as:
 - income/mortgage analysis (lender document)
 - pre-approval letter (lender document)
 - Good Faith Estimate (lender document)
 - Proof of income for the previous 60 days
 - Copy of checking and savings account for the last 2 months

- Proof of homeowners insurance
- Last two years Federal Tax returns
- Divorce decree if applicable
- Bankruptcy documents if applicable.

2. The applicant must schedule an appointment with the Grants Technician to review the application.

3. A short and informal interview of general questions regarding ownership and eligibility will be conducted. At the end of the interview, the Grants Technician will further explain the nature of the program and application process.

4. A credit report will be processed from all applicants older than 18 years of age in order to establish a history of credit risk.

5. The Grants Technician will submit the application to the loan committee for program denial and/or acceptance. The applicant will be notified within two weeks of submitting the application.

6. Once an application is approved, the applicant is required to complete one of the approved First Time Home Buyers Class on finance and budgeting and submit a copy of certificate of completion. No online classes will be accepted. The classes can be taken from any of the following agencies:

- Salt Lake Community Action Program (CAP) (801)359-2444
- Community Development Corporation (CDC) (801)994-7222

After the applicant has been approved and the class certificate is turned in at our office, the applicant may then submit an offer on a property. Prior commitments, and/or offer made before being approved **and** completion of class will cause immediate disqualification of our grants program.

7. Once, the applicant finds a home and an offer is accepted, the realtor, lender or title company must fax the below listed documents to the Housing Authority.

- Real Estate Purchase Contract (REPC)
- Appraisal on property
- Preliminary Title Report
- Verification of Homeowner's Insurance

8. Upon receipt of all the documents listed above, the Grants office will need 15 business days to prepare for the loan closing. During the 15 business days; a building inspector will make an appointment with your realtor or lender to inspect the home for:

- Housing Quality Standards (HQS) Form HUD-52580
- Lead-based paint inspection

9. If the home passes all inspections, the closing documents will be processed and a check will be issued to the title company **before** closing takes place.

10. The lender and/or title company is responsible for submitting the following documents to the Grants office following closing on the home:

- Settlement statements clearly indicating where the grant funds were used
- Lender affidavit (to be provided by the Grant office and signed by the lender regarding buyer/property qualifications).
- A copy of the recorded first trust deed.
- Copy of the title policy on the first trust deed and any other accompanying closing documents.
- Signed and notarized Promissory Note, Trust Deed and Notice of Default.

11. The West Valley City Housing Authority reserves the right to postpone a scheduled closing date due to the following:

- Failed HQS
- Failed Lead-lead paint inspection
- Incomplete/missing paperwork
- Scheduling conflicts
- Falsification and/or alteration of documents
- Processing time for check request is not sufficient

12. All files with no activity for the last 6 months will be automatically closed. If the applicant is still interested in the DPA program, he/she must re-apply and submit all required paperwork once again.

Financing Requirements

The applicant must be able to qualify for a fixed rate mortgage loan using: FHA, VA, or conventional financing. Applicants must qualify on their own credit (No co-signers). All co-applicants must be listed in the mortgage loan.

No creative financing such as variable rate, adjustable rate, interest rate only, balloon payment, and/or 80/20 split, will be allowed.

In addition, the applicant must contribute a minimum of \$2,000.00 toward the cost of the purchase of the home prior to closing. The purchase price of the home may be equal to, but may not exceed \$180,000.

Deed of Trust

The loan will be secured by a Deed of Trust (will secure second position on title) which it will be signed by the home owner(s) of the property. The Deed of Trust, notice of default/notice of sale

and promissory note will be notarized, recorded and filed at the Salt Lake County Recorder's Office and a copy will be placed in the applicant's file.

Payment

The loan/grant must be repaid in full if the applicant sells, changes title, refinances, or moves within the first five years of home ownership.

Subordination Agreements

West Valley City will only subordinate under hardship reasons. Hardship reasons include, but are not limited to:

- Job loss
- Income reduced
- Refinancing will eliminate unreasonable fees
- Catastrophic events

The homeowner will call to schedule an appointment to be able to meet with the Grants Technician to explain the reasons for requesting subordination. The homeowner must bring:

- Letter stating reasons of subordination
- Copy of Good Faith Estimate
- Letter from lender stating streamline refinance-no cash back, rate & term reduction loan only
- Copy of mortgage statement showing principal balance pay-off and interest rate
- Loan amount cannot exceed current principal balance plus reasonable fees (per FHA guidelines)
- Drop in interest rate by one (1%) percent or more (fixed rate-no ARMS's, buy downs, etc.)
- Income Analysis (MCAW) worksheet
- 1003 Application

The loan committee requests ten business days after receiving all documents to review the subordination agreement and to make a final determination. The Housing Authority will not subordinate loans in a refinancing, unless the proposal is in the best interest of HUD funds and homeowner.

After approval, the subordination agreement must have the complete loan information filled in. The subordination is good for 30 days from the date of signature of the West Valley City Housing Authority Executive Director. Any subsequent changes in lender or loan amounts need to be re-submitted to the West Valley City Loan Committee for the review.

The homeowner also has the option to pay off the West Valley City Housing Authority loan as part of the refinancing.

Section V- Limitations of Down Payment Assistance (DPA) Program

Availability of Funds

The DPA grant program fiscal year begins July 1st of each year. Funds are processed and given on a first come, first served basis and/or depletion of funds.

1st Time Homebuyer Eligibility

Each applicant is eligible to receive DPA only once in a lifetime, regardless of change in residence. An applicant can be considered a first time homebuyer in the Code of Regulations (see below).

- Code of Regulations, Title 24, Chapter V, Part 572.5 (4-1-95 edition):
 - An individual who has had no ownership in a principal residence during the three year period ending on the date of purchase of the property. This includes a spouse;
 - A single parent who has only owned with a former spouse while married;
 - An individual who is a displaced homemaker and has only owned with a spouse.

Annual Income

The combined annual income of an applicant cannot be more than 80% median income as determined by HUD and adopted by the West Valley City Housing Authority/Grants. The annual gross income shall be determined in accordance with the Code of Regulations 24 CFR 5.609.

- Annual income is defined as the “gross” amount of income of all adult household members 18 years or older, which are anticipated to be received during a twelve (12) month period.
- Annual income includes, but is not limited to:
 - The full amount before any payroll deductions of wages
 - Salaries
 - Social Security
 - Overtime pay
 - Commissions
 - Fees
 - Tips
 - Bonuses
 - Other compensation for personal services
 - Net income from the operation of a business or profession
 - Other income

Debt Ratio Guidelines

West Valley City will use the following two types of debt ratios:

- **Front-End Ratio:** The standard guideline is 31%. The front-end ratio is the gross income divided by the new PITI (principal, interest, taxes and insurance, Homeowners Association (HOA), mortgage payment).
- **Back-end Ratio:** The standard guideline is 43%. This is the gross income divided by the new PITI mortgage payment and also the minimum monthly payments from the applicant's liabilities. The typical debts used to determine the qualifying back-end ratios are the minimum required monthly payments on all the following:
 - Auto loans
 - Student loans
 - Personal loans
 - Charge cards
 - Child Support
 - Alimony
 - Federal Tax Lien Repayment Schedules

Note: The standard ratio guidelines may change as per HUD guidelines.

Credit Report

A consumer credit report will be requested from Experian for all applicants older than 18 years of age. The participants FICO (Fair Isaac Company) score must be 550 or higher.

Section VI- Property and Occupancy

Geographic Boundaries

The Community Development Block Grant (CDBG) and HOME funds are provided to eligible applicants on homes located within West Valley City limits.

Eligible Properties

- Eligible properties according to *CFR* Part 982.628:
 - The unit is either a one-unit property (including a manufactured home) or a single dwelling unit in a cooperative or condominium.
 - Purchase of home where family will not own fee title to the real property, but only if:
 1. The home is located on a permanent foundation; and
 2. The family has the right to occupy the home site for at least forty years.

Qualifications of properties *CFR* Part 982.628 and 92.254

- The home to be purchased must be less than or no more than \$180,000.00.
- The home must have at least one prior owner/occupant to be eligible.
- The home must either be **vacant** for at least six months or **owner occupied** (homes which are currently being rented or have been **used as rentals in the last six months are not eligible** unless it is the tenant purchasing the home).
- The home must pass minimum Housing Quality Standards (HQS) and Lead Based Paint Inspections.

Inspections

- Housing Quality Standards (HQS) Form HUD-52580

The West Valley City Building Inspector will only inspect the property twice. If the property fails the first inspection, a second inspection will be provided. No additional inspections will be given. Any failed items on the inspection requiring a licensed profession must be repaired by contractor and/or professional with a license.

A copy of the inspection results will be mailed out to the applicant.

- Lead Based Paint

Section VII- Federal Requirements

See individual categories.

Lead Disclosure

The Grants Technician will be responsible for discussing lead paint issues and providing the applicant with a “Protect Your Family From Lead in Your Home” booklet. The applicant will sign a form verifying they have discussed and seen the lead information.

Fair Housing Equal Opportunity

The West Valley City Housing Authority will do all business in accordance with the Equal Opportunity Federal Fair Housing Law (Title III of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974).

The West Valley City Housing Authority is an equal opportunity provider. The West Valley City Housing Authority also promotes women and minority owned contractors to participate in the DPA Program.

Section VIII- File Requirements

The Grants Technician will keep in the files, at minimum, all required documents which verify compliance with policy requirements such as, but not limited to:

- Applicant information
- Copies of proof of income
- Copies of income taxes
- Copy of Real Estate Purchase Contract (REPC)
- Copy of appraisal on property
- Copy of preliminary title report
- Copy of verification of homeowner's insurance
- Copy of settlement statements
- Copy of lender affidavits
- Copy of trust deeds
- Copy of promissory note
- Copy of notice of default
- HQS and Lead Based inspections
- Application interviews
- Applicant's correspondence

The period of record retention for homebuyers is five years after reconveyance of trust deed.

Section IX- Complaint and Hearing Procedures

All decisions of the West Valley City Housing Authority are subject to an appeal by any of the parties involved. Owners, applicants, and participants will be informed of their right to appeal any and all decisions made by the West Valley City Housing Authority, the West Valley City Housing Authority Loan Committee, or any other agents of the West Valley City Housing Authority. Appeals will be heard in an informal conference with the West Valley City Housing Authority Administrator and other parties involved.

Section XI- Policy Modifications

West Valley City shall have the authority to make modifications to this policy as necessary for the continued implementation of the DPA program, including but not limited to: 1) policy revisions necessary to do a change in the design of the DPA program; and 2) policy changes necessary due to the revisions in the rules and regulations of the HOME and CDBG monies as administered by the U.S. Department of Housing and Urban Development.

Section X- Monitoring

The Grant Technician will check the DPA program files twice a year to monitor continued home ownership compliance. West Valley City has the option to contact new owner and Mortgage Company to request for reimbursement of funds if our lien has not been properly released.